

City of Newton

# **HOUSING NEEDS ANALYSIS**

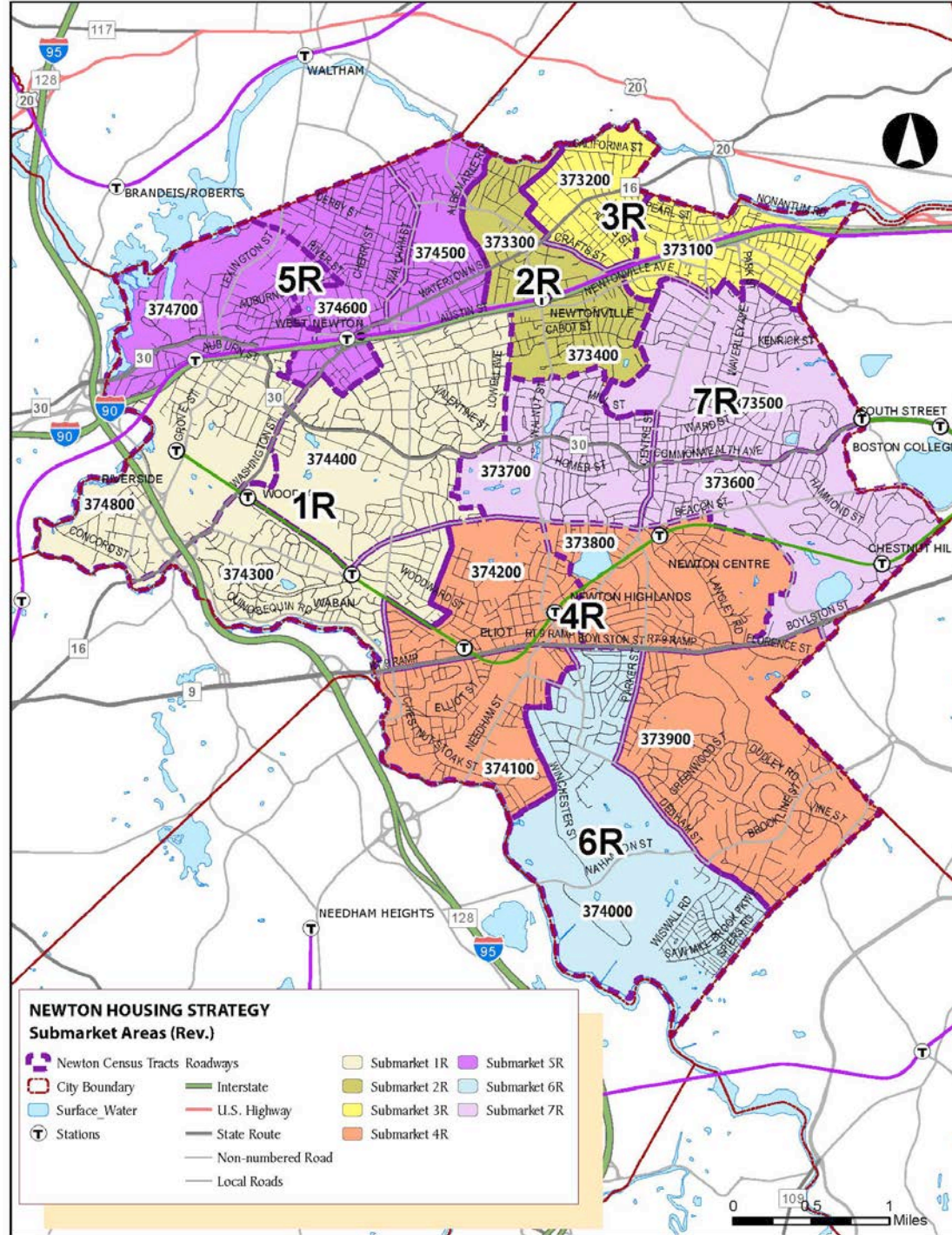
## **Market Assessment**

October 1, 2015

Presented By:

Kyle Talente, Vice President and Principal  
RKG Associates, Inc.

# MARKET DATA

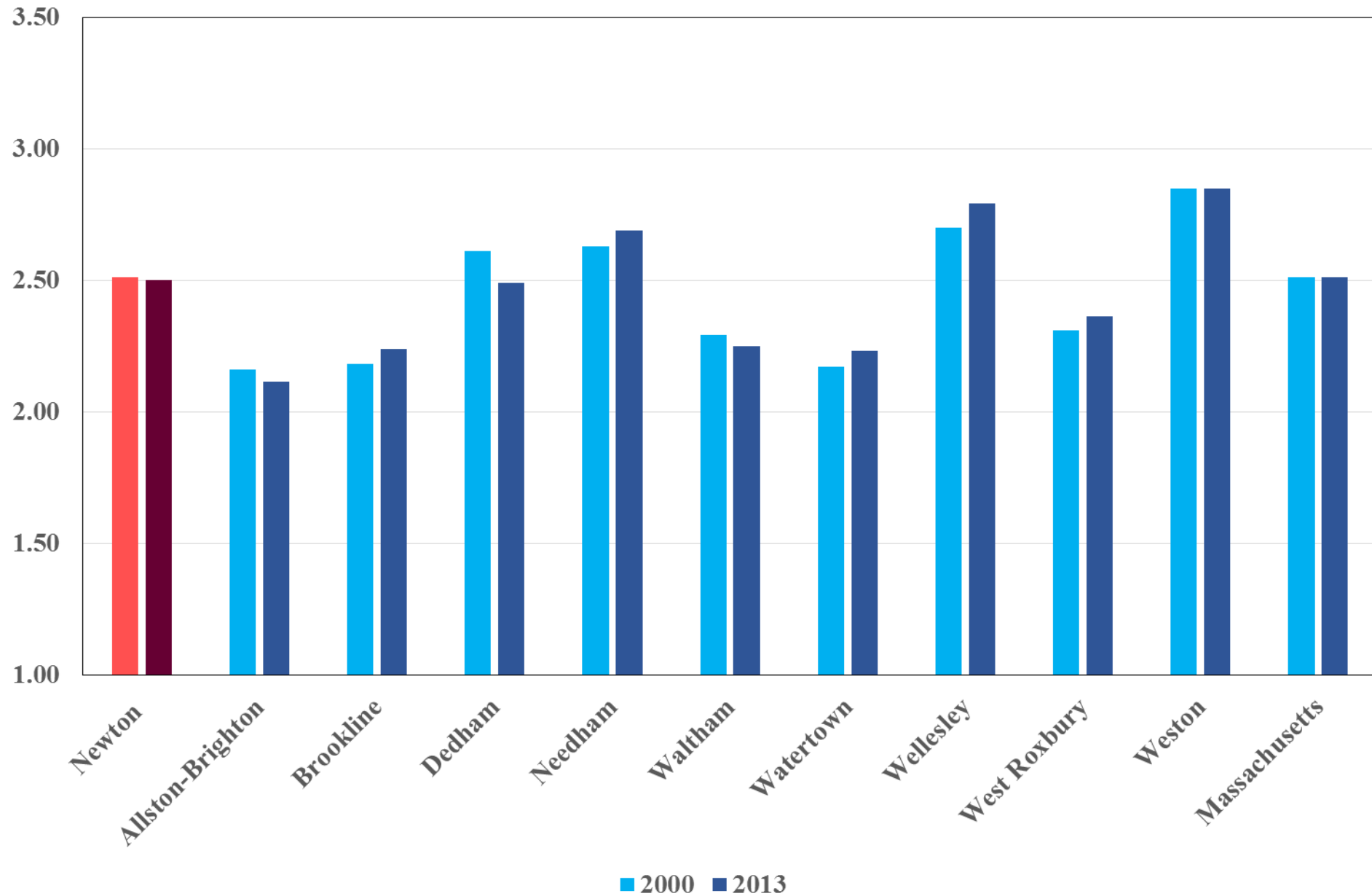


# DEMOGRAPHICS

- **Newton's population is 86,241 (2013 3-Year ACS)**
  - 31,295 households
- **Only 74 net household growth from 2000-2013**
  - 1,284 housing units built from 2005-2014
  - Vacancy increased by 550+units
  - Substantial demolition to accommodate development
  - Elimination of “modest” cost housing to maximize value

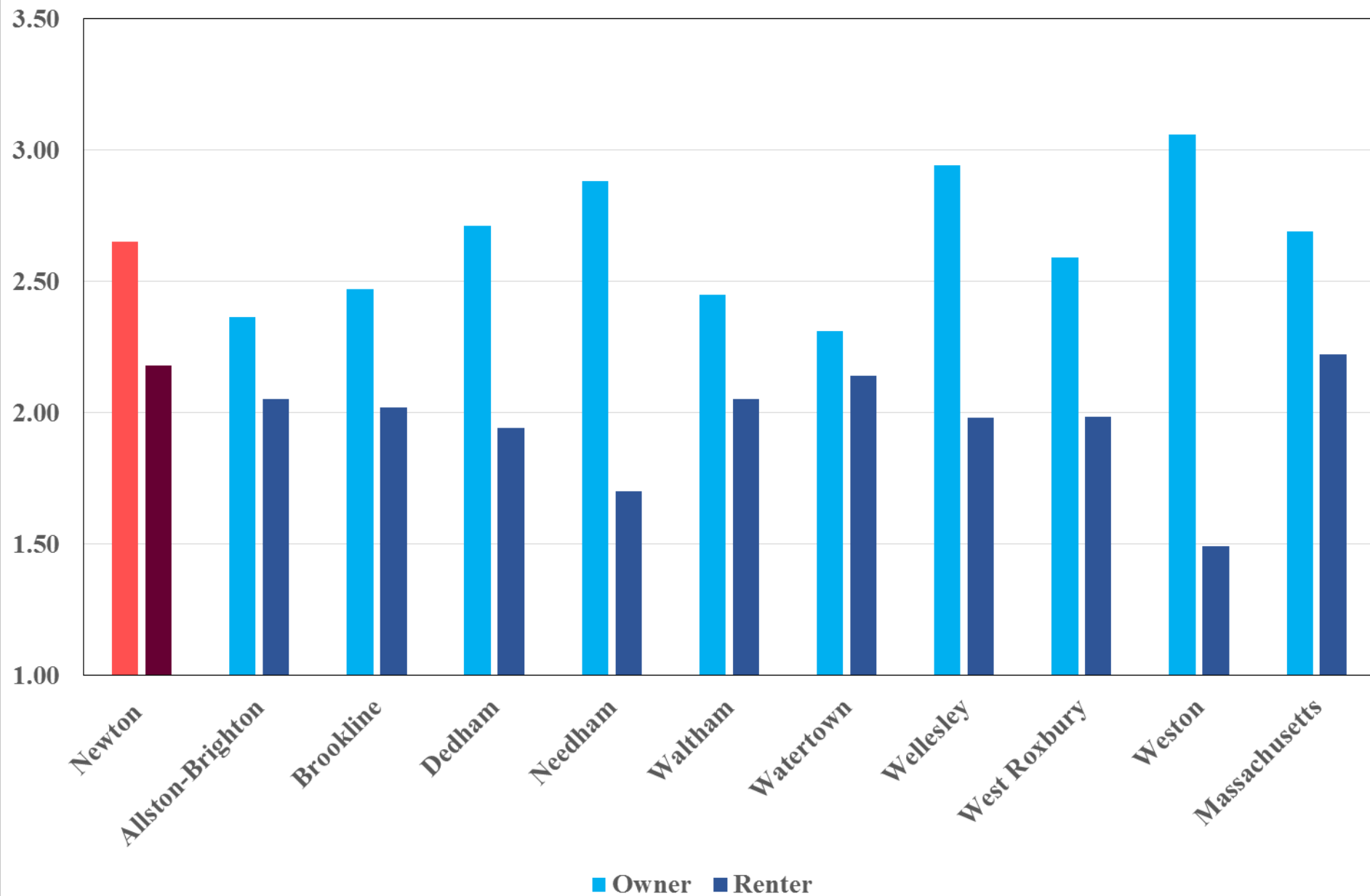
# AVERAGE HOUSEHOLD SIZE

## 2000-2013



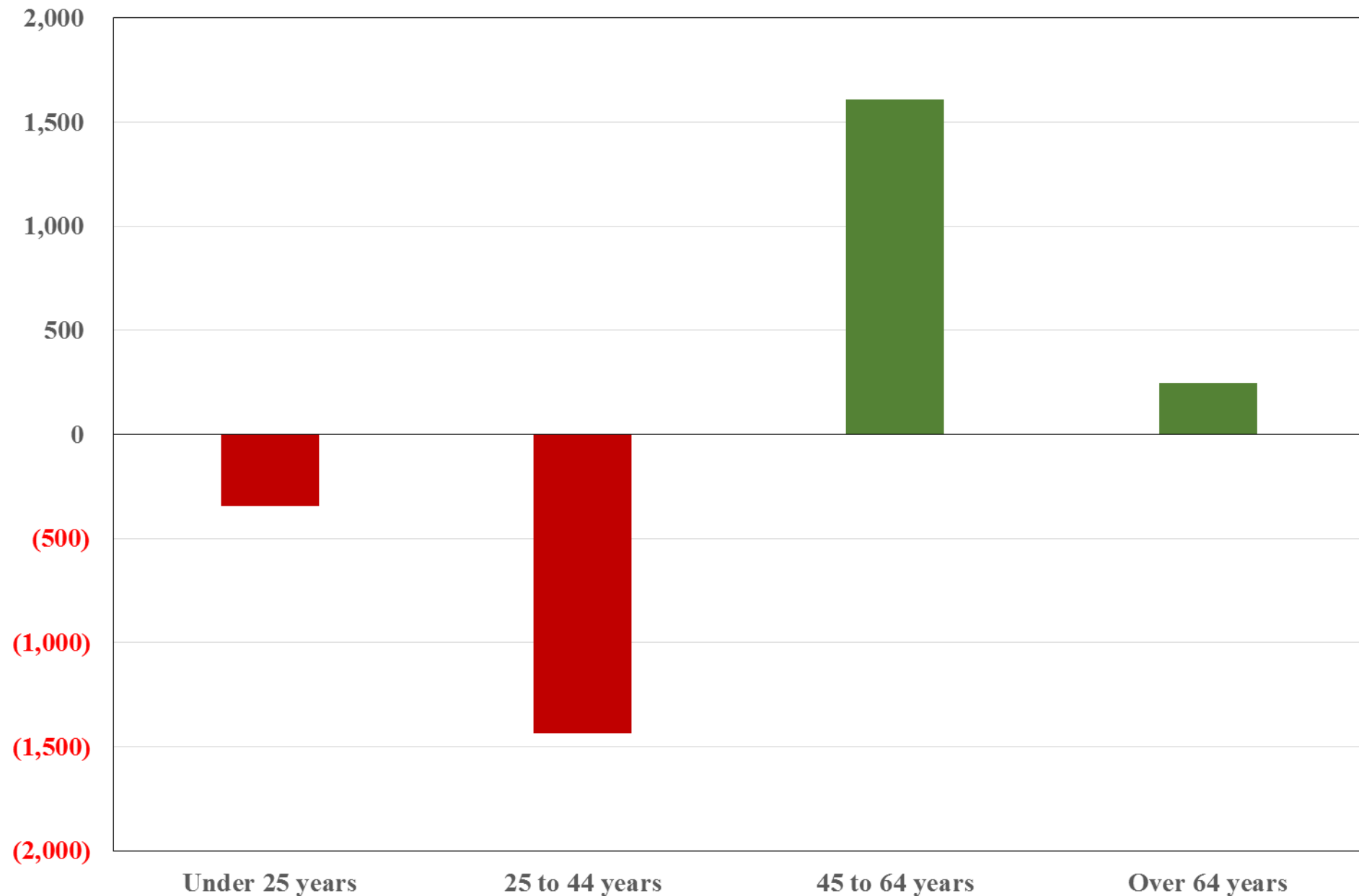
# AVERAGE HOUSEHOLD SIZE

## 2013 Owner vs Renter Households



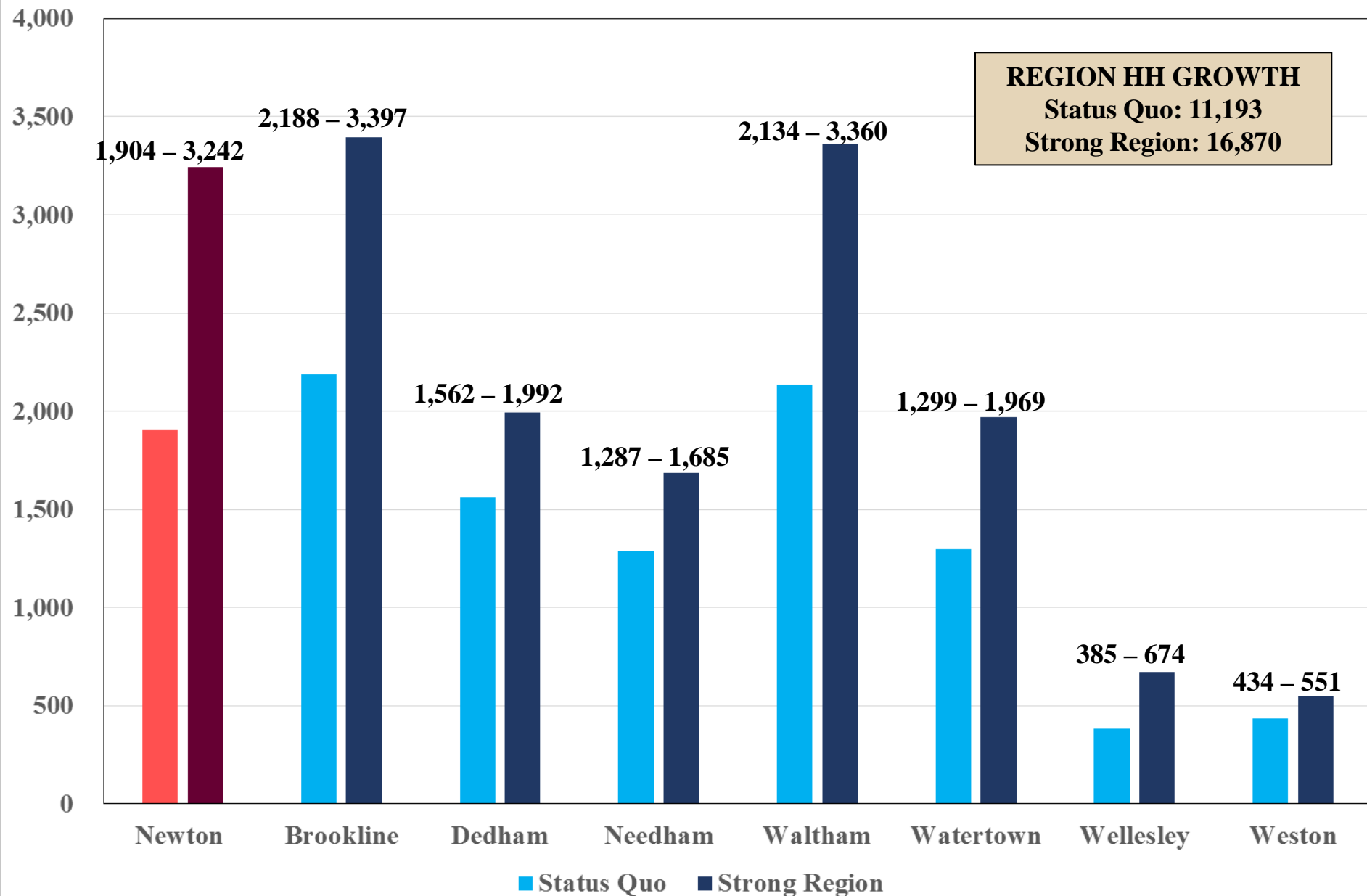
# HOUSEHOLDS, BY AGE OF HEAD OF HH

## 2000-2013 City of Newton



# NEW HOUSHOLD FORMATION PROJECTIONS

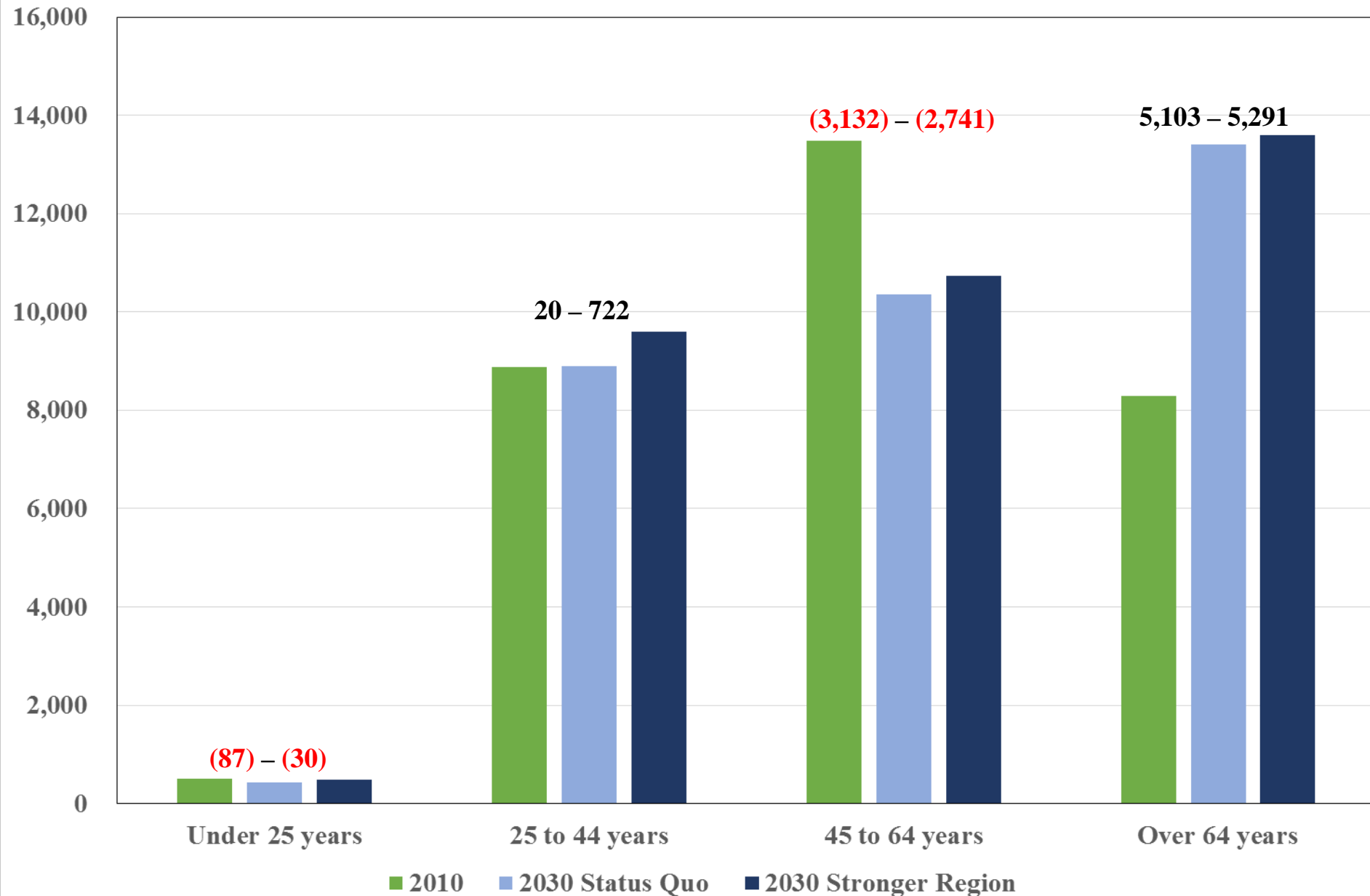
## 2010-2030; Newton Region





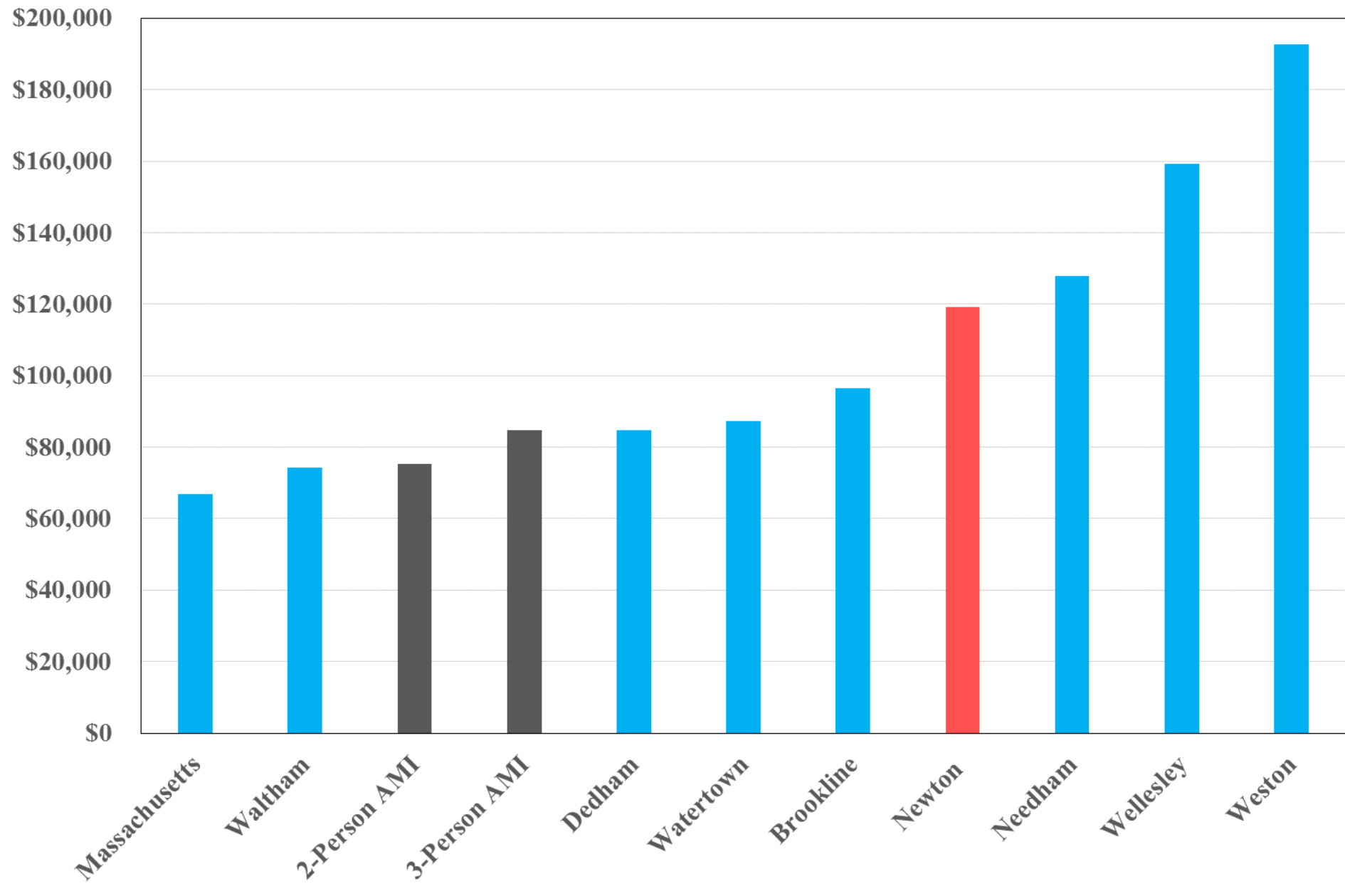
# HOUSEHOLD PROJECTIONS, BY AGE

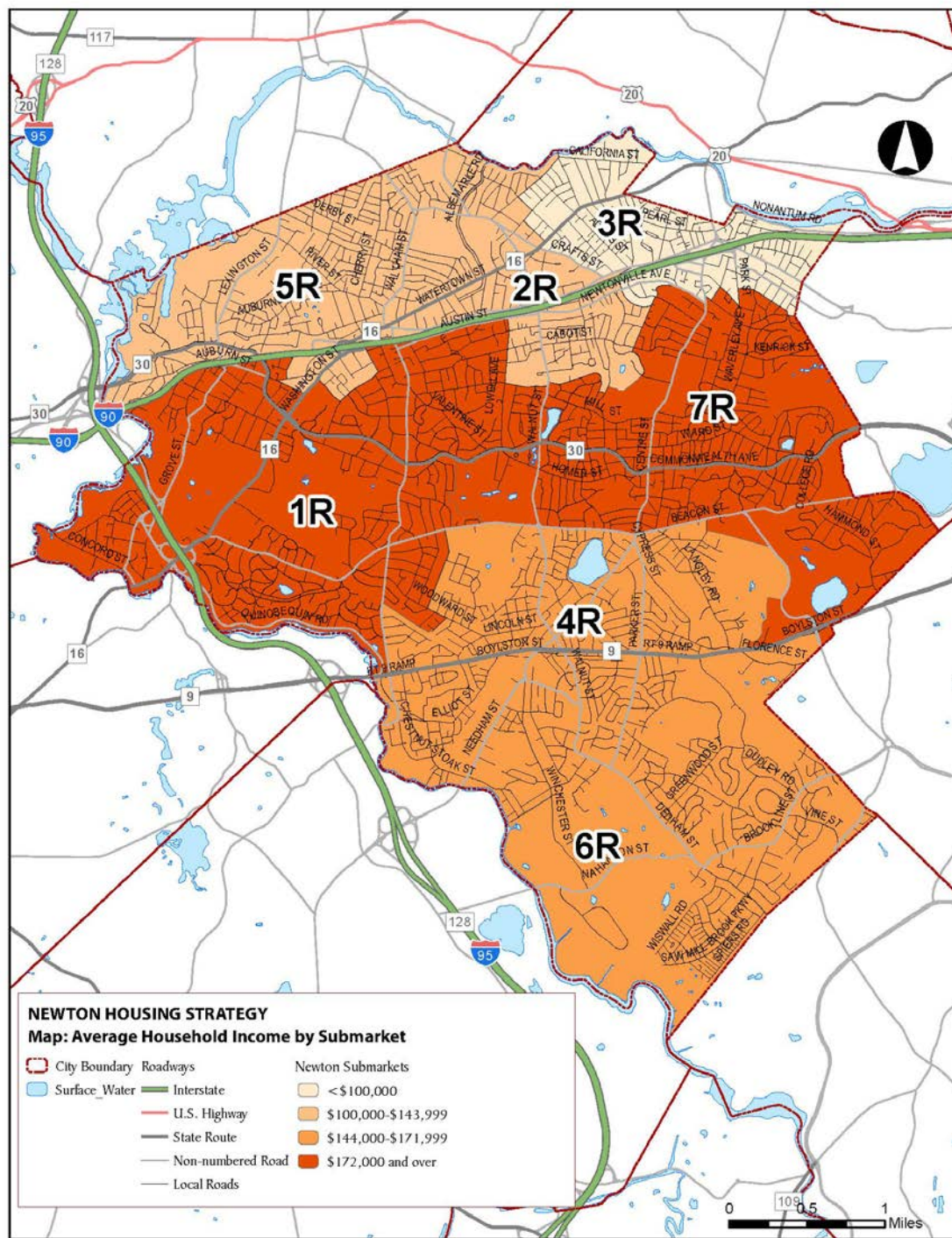
## 2010-2030; City of Newton



# MEDIAN HOUSEHOLD INCOME

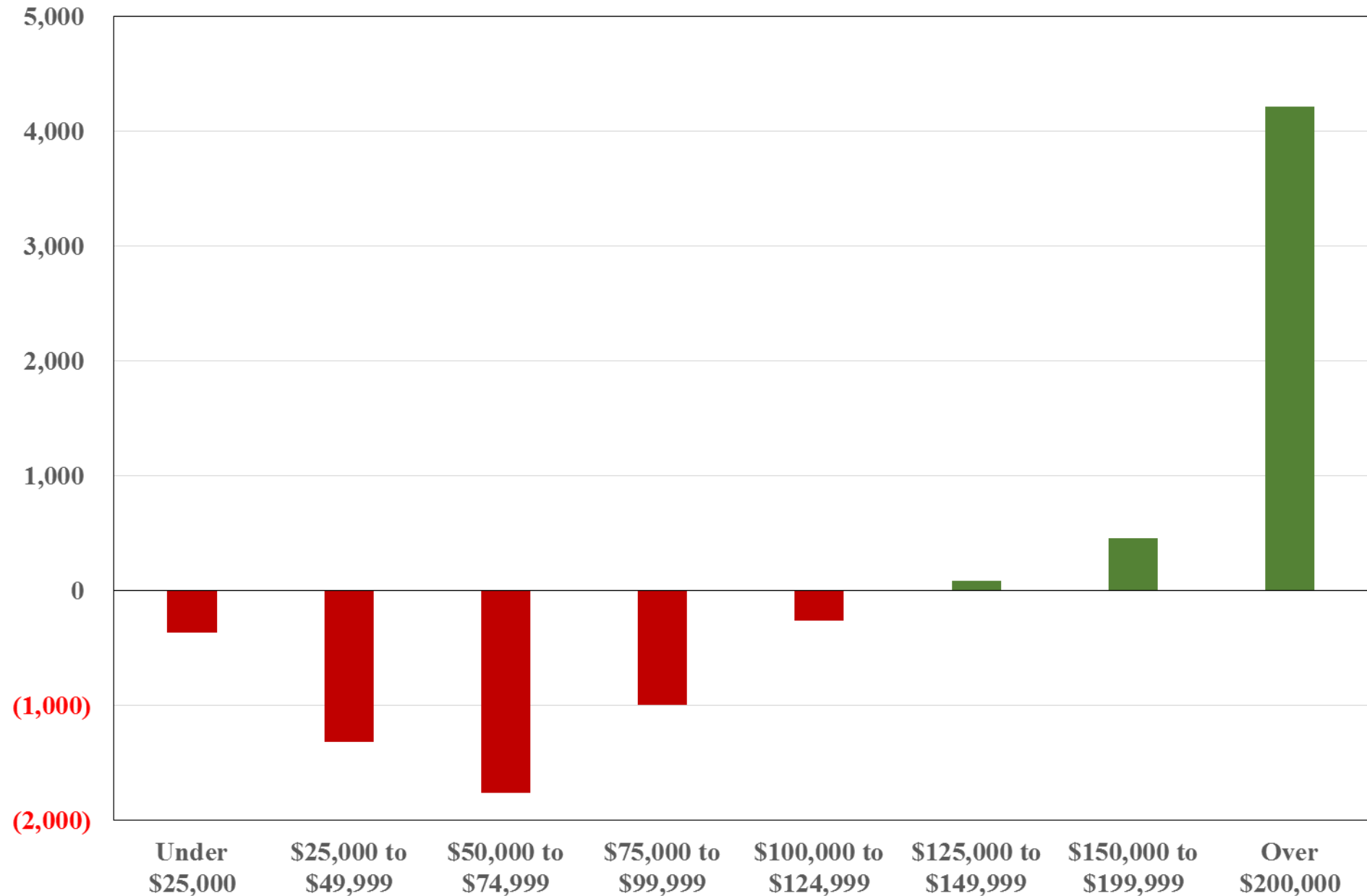
## 2013 Newton Area





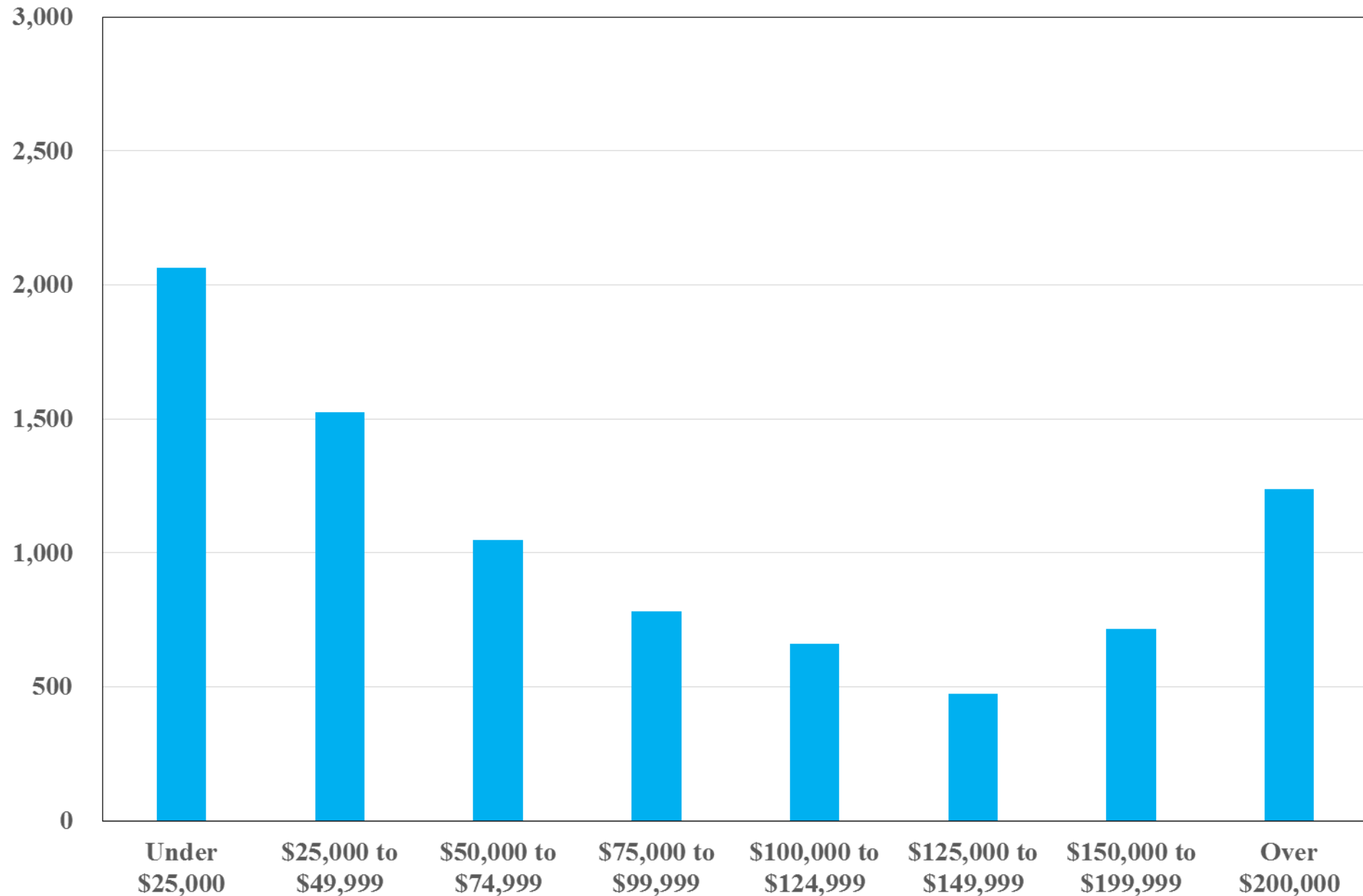
# HOUSEHOLDS, BY INCOME

## 2000-2013 City of Newton



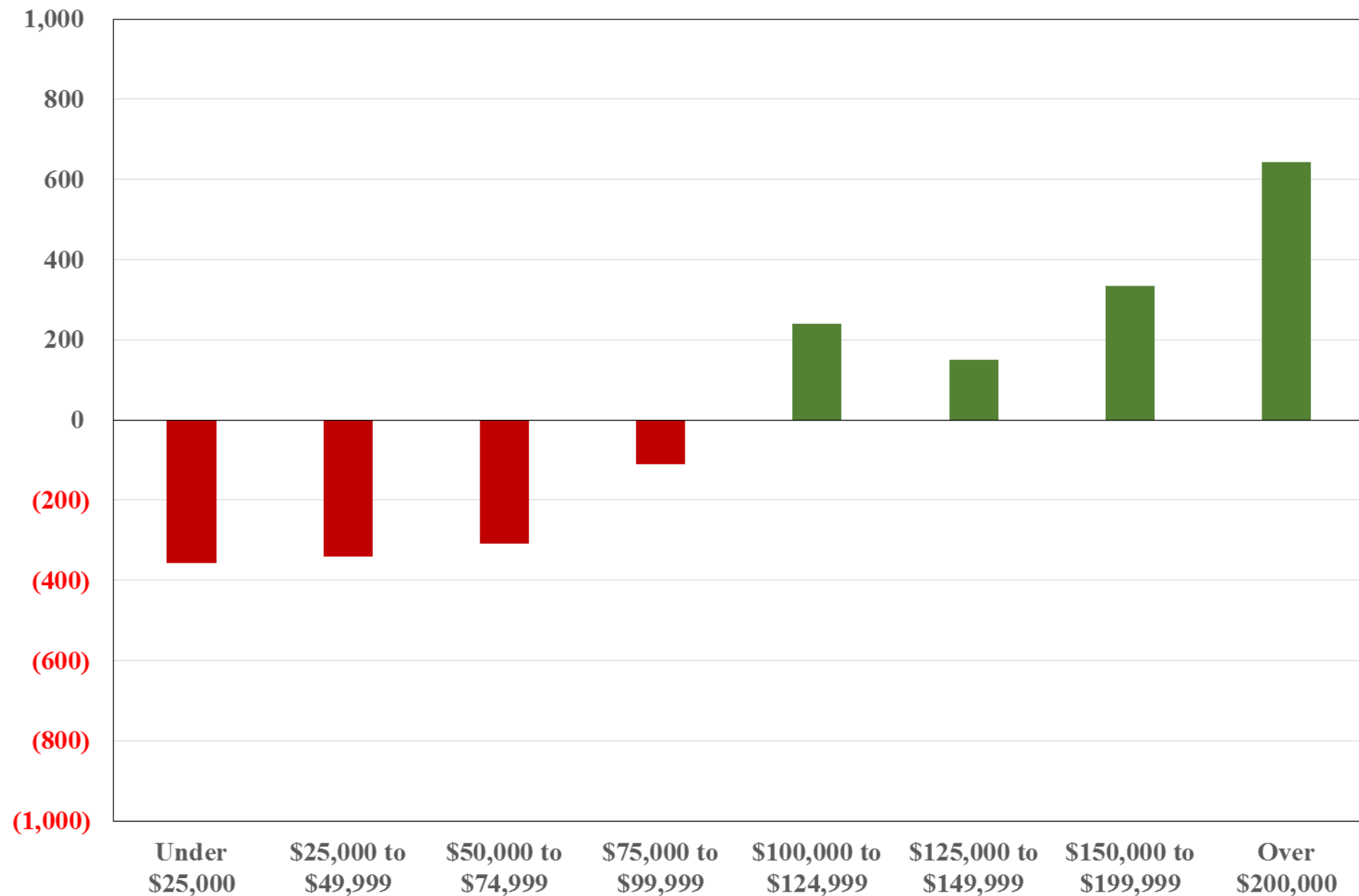
# SENIOR (65+) HOUSEHOLDS, BY INCOME

## 2013 City of Newton



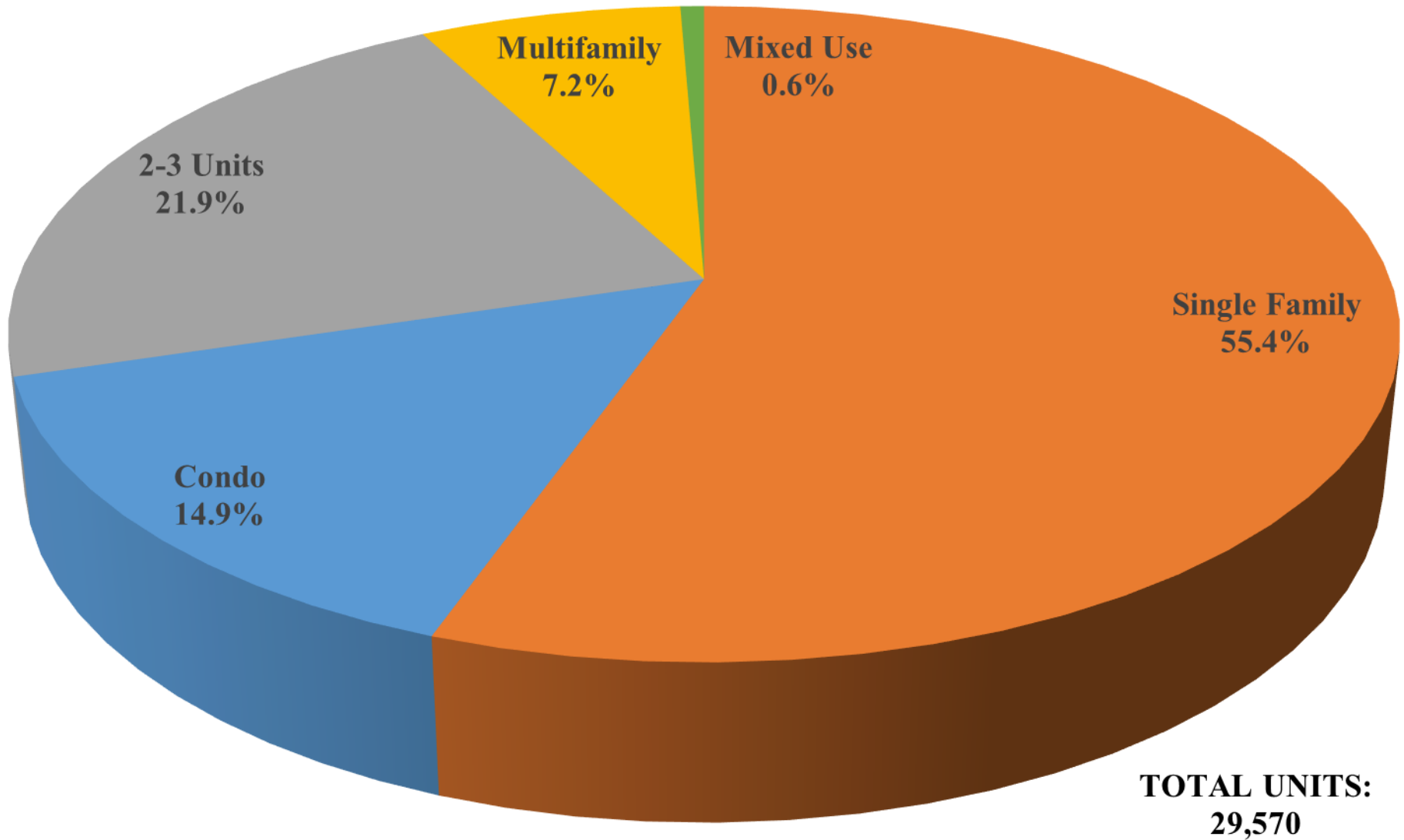
# SENIOR (65+) HOUSEHOLDS, BY INCOME

## 2000-2013 City of Newton



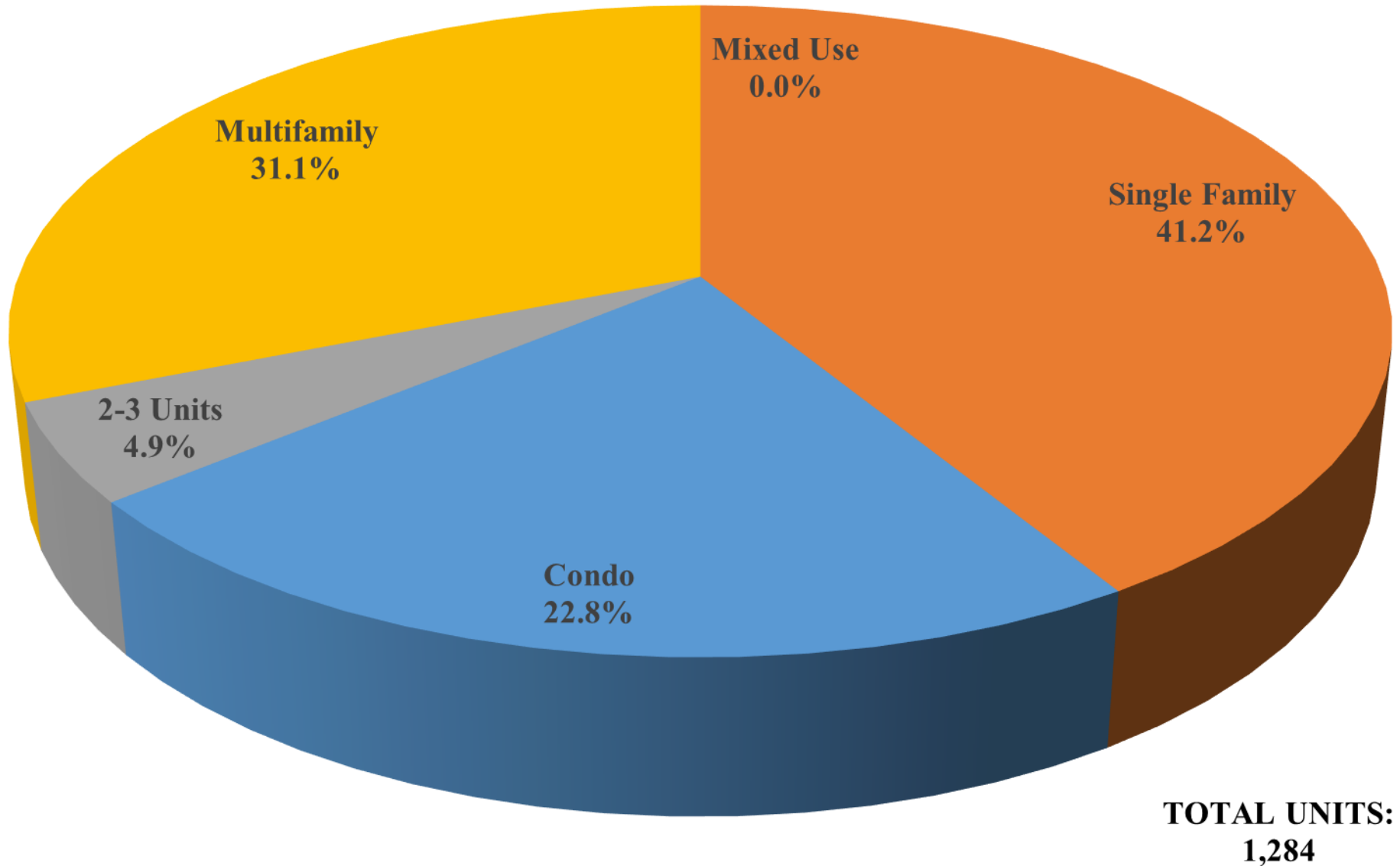
# RESIDENTIAL DEVELOPMENT PATTERN

## Prior to 2005

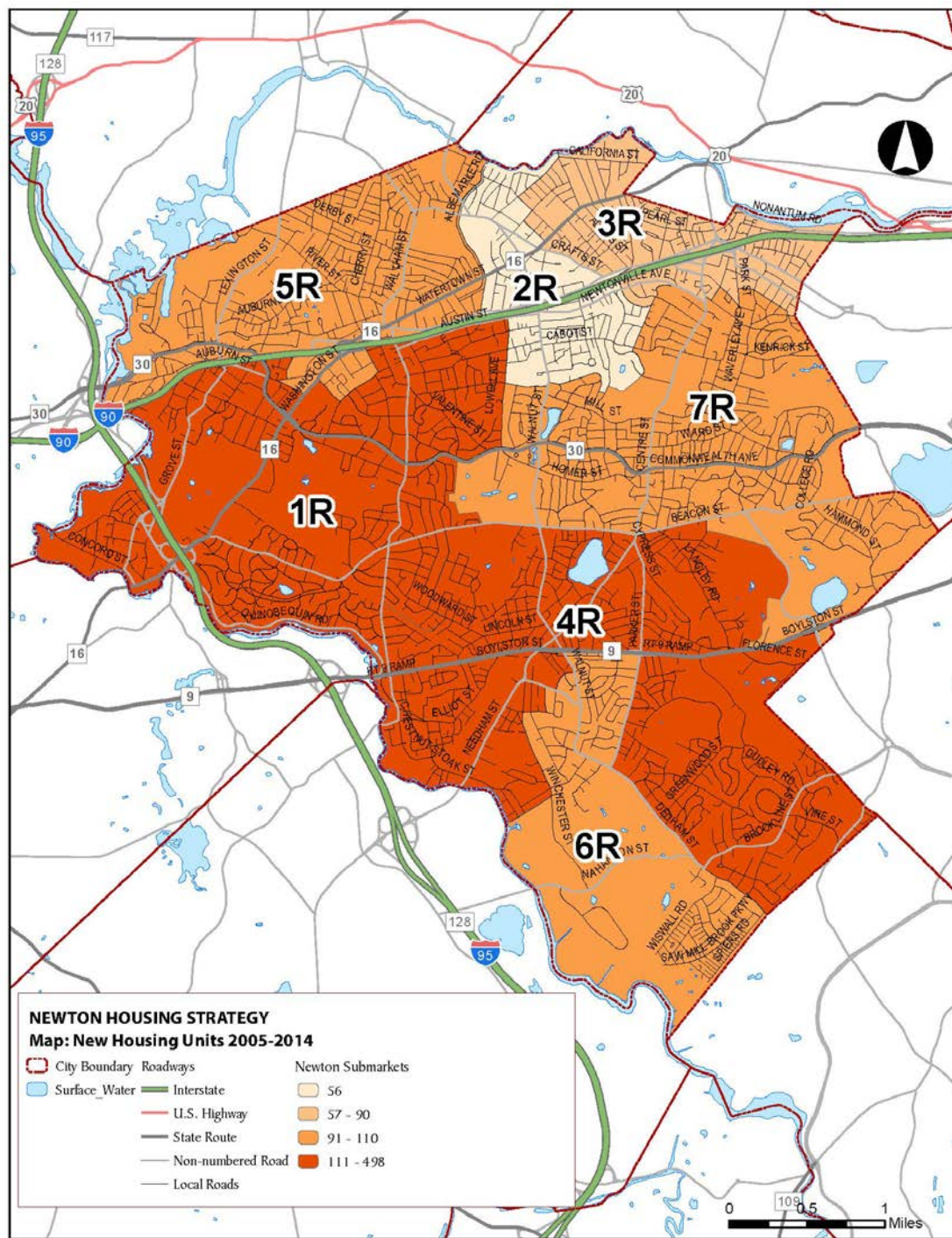


# RESIDENTIAL DEVELOPMENT PATTERN

## 2005 to 2014

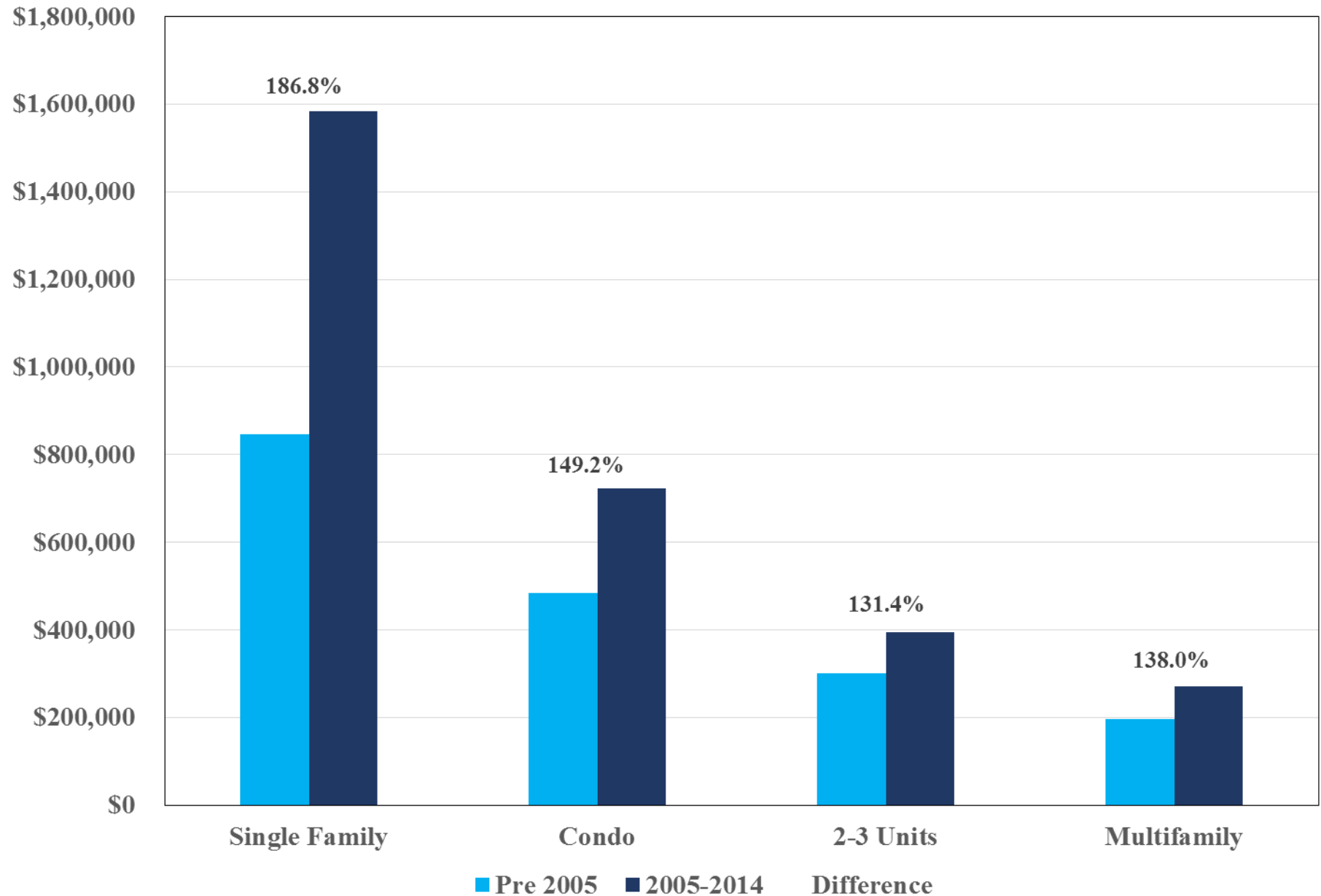






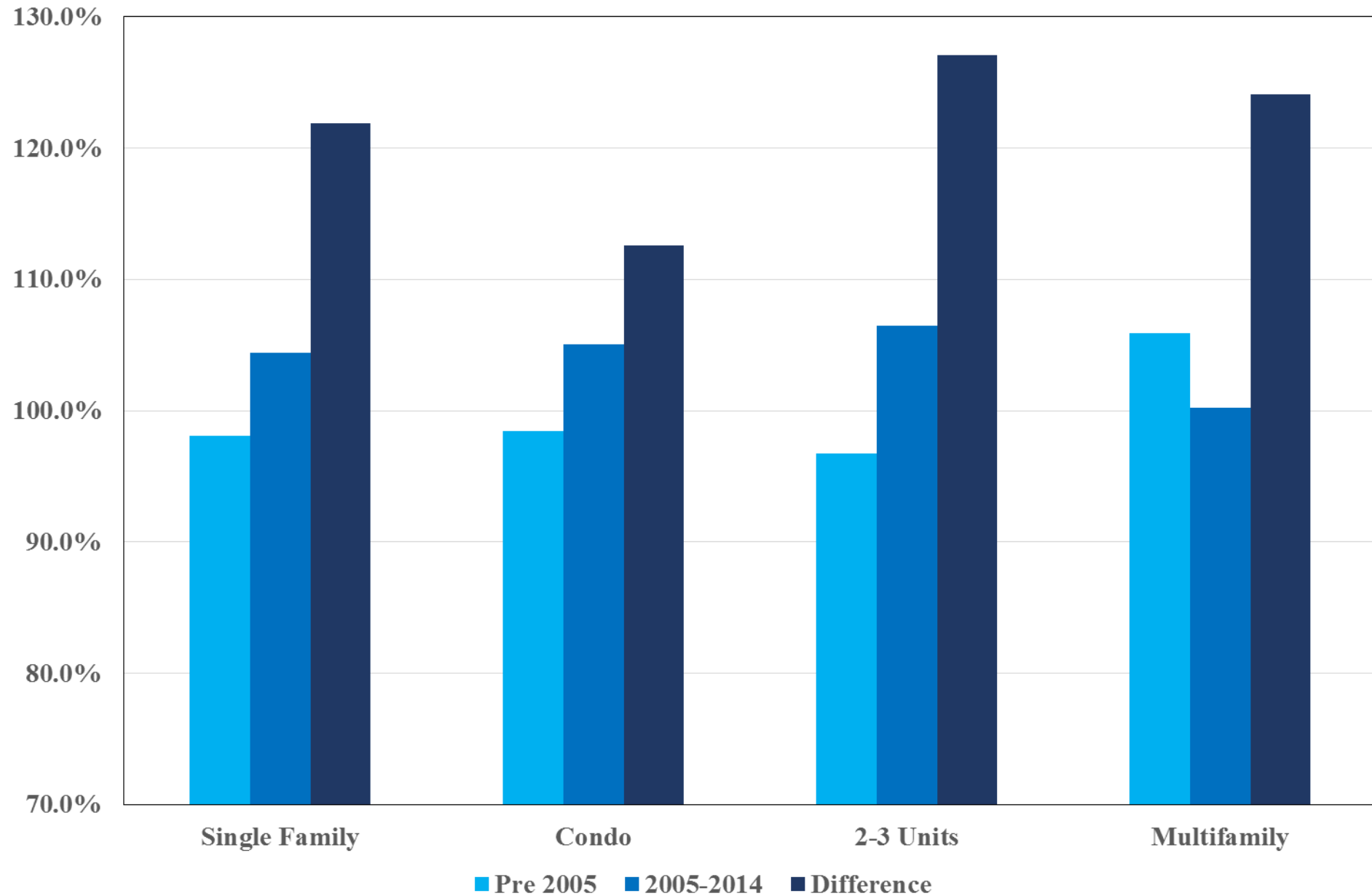
# AVERAGE VALUE PER UNIT COMPARISON

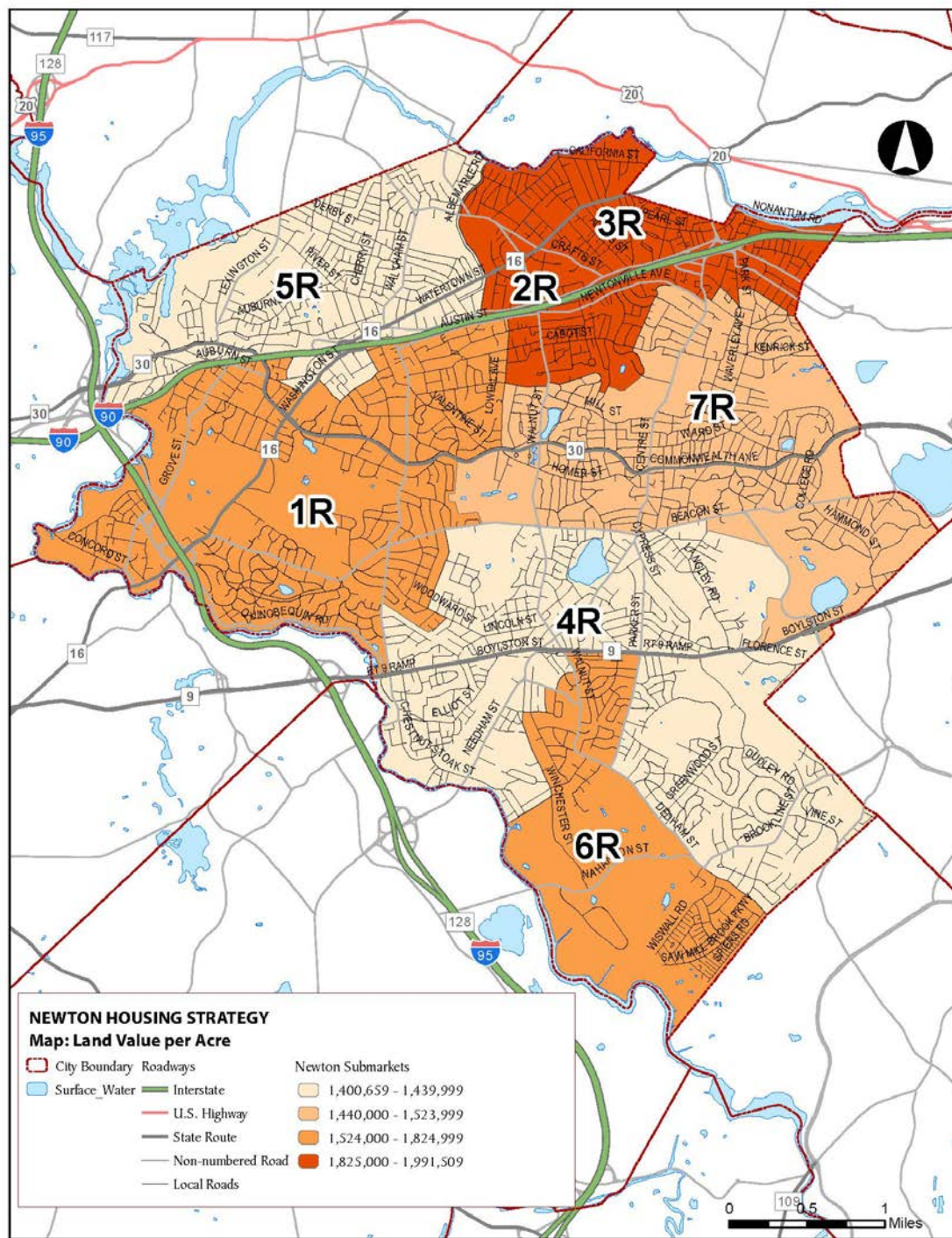
## City of Newton



# SALE TO VALUE COMPARISON

## 2012-2014; City of Newton





# NEEDS ANALYSIS



# DEFINITION OF TERMS

- **Affordability** – The relationship between a household's ability to pay for housing and the cost of housing; also called 'price appropriateness'
- **Cost burdened** – Relationship between household income and percent of that income being spent on housing – HUD defines cost burdened as spending more than 30% of gross income
- **Area Median Income** – HUD-defined income thresholds based on household size; pinned to certain financial programs
  - Analysis focuses on 30%, 50%, 80%, 100%, 120%
  - Thresholds are relevant to various HUD housing programs
- **Ability to pay** – The maximum amount a household can spend on housing without being cost burdened

# RENTAL AFFORDABILITY

## HUD Fiscal Year 2014 Income Limits

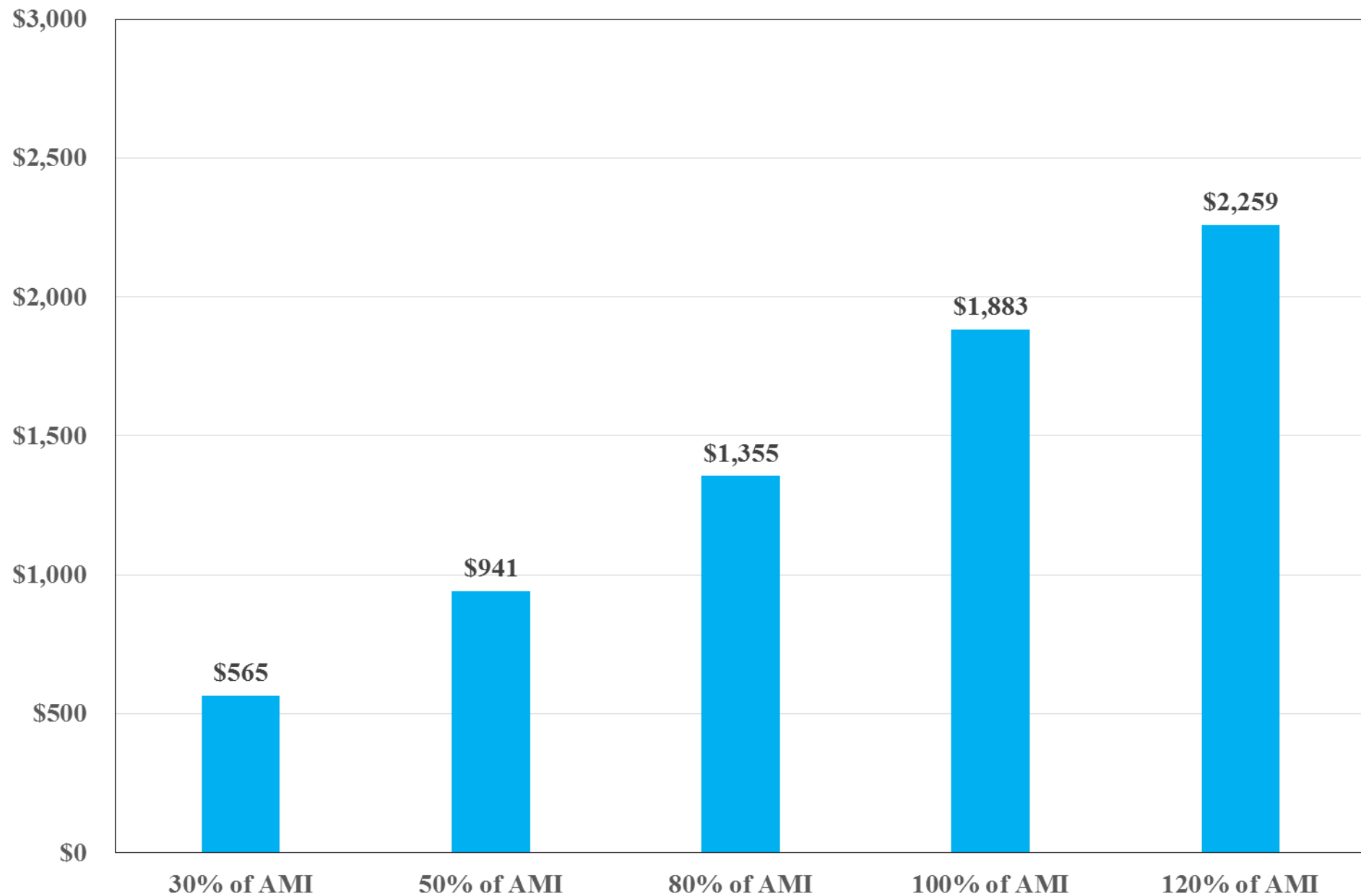
### Boston - Cambridge - Quincy, MA-NH HUD Metro FMR Area

Threshold	2-Person	3-Person
Extremely Low Income	\$22,600	\$25,450
Very Low Income	\$37,650	\$42,350
Low Income	\$54,200	\$61,000
Area Median Income (AMI)	\$75,300	\$84,700
120% of AMI	\$90,360	\$101,640

Source: U.S. Department of Housing and Urban  
Development, RKG Associates, Inc., 2015

# RENTAL HOUSING THRESHOLDS

## 2014 Boston HMFA



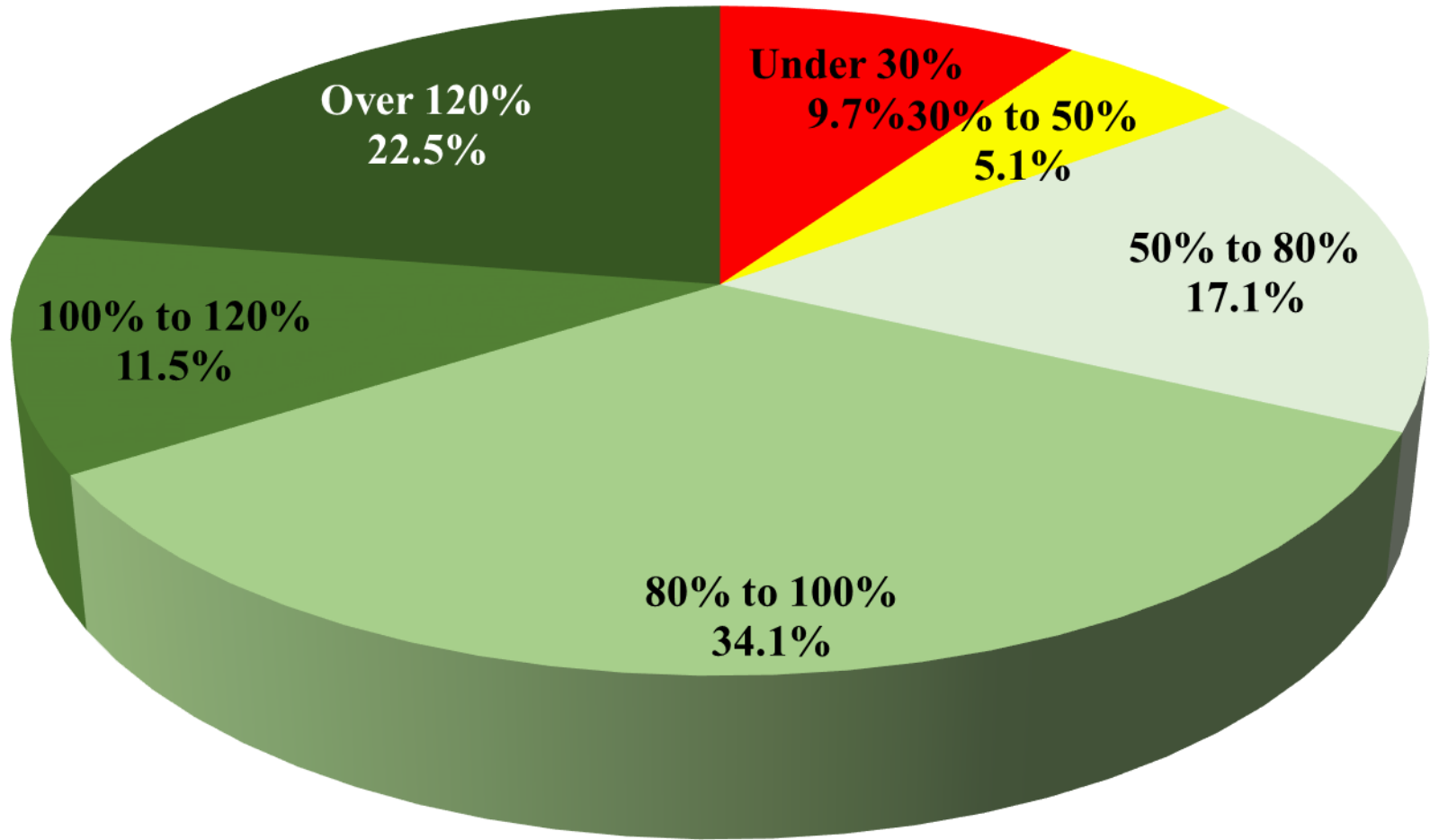


# RENTAL AFFORDABILITY

- **Rents range in average by area**
  - Age of property, location, amenities, size, subsidies
- **2-Bedroom units**
  - Arborpoint - \$3,260-\$3,565
  - Avalon at Newton Highlands - \$3,225-\$3,790
  - Current condos for rent listings - \$1,800 to \$2,700
- **Approximately 66% of rental units in Newton affordable below 100% of AMI**

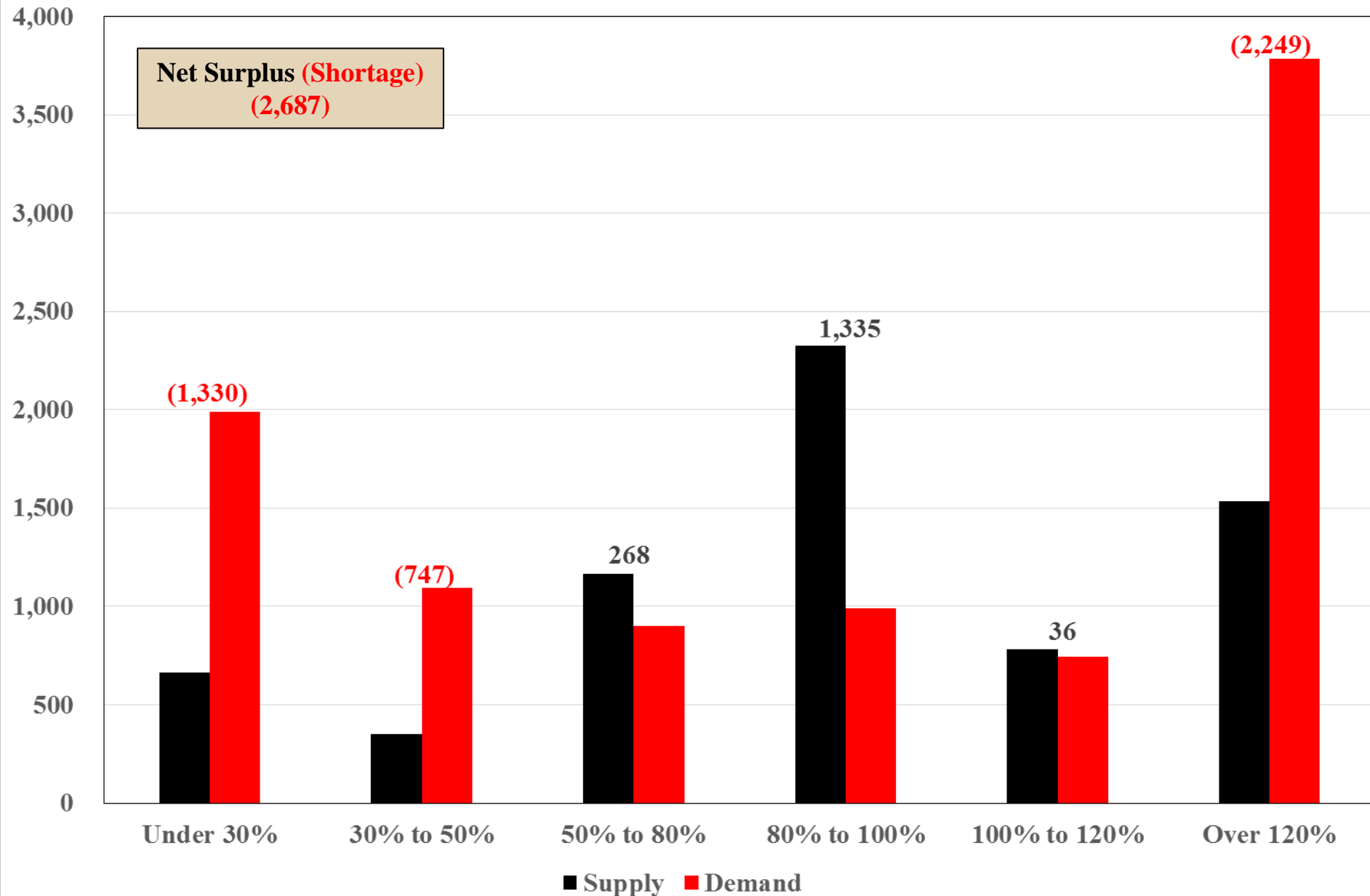
# APARTMENT UNIT AFFORDABILITY

## City of Newton



# RENTAL HOUSING SUPPLY/DEMAND BALANCE

## City of Newton



# RENTAL AFFORDABILITY

- **More than 2,700 traditional ownership units converted to rental housing**
  - Concentration in condominium units
  - Typical for an inner-urban community
- **New construction either luxury or income controlled**
  - Development economics at play
  - Need one to offset the cost of the other
- **City's cost to develop 80% AMI housing high**
  - Ranges from \$300,000 to \$500,000 per unit

# OWNERSHIP AFFORDABILITY

## HUD Fiscal Year 2014 Income Limits

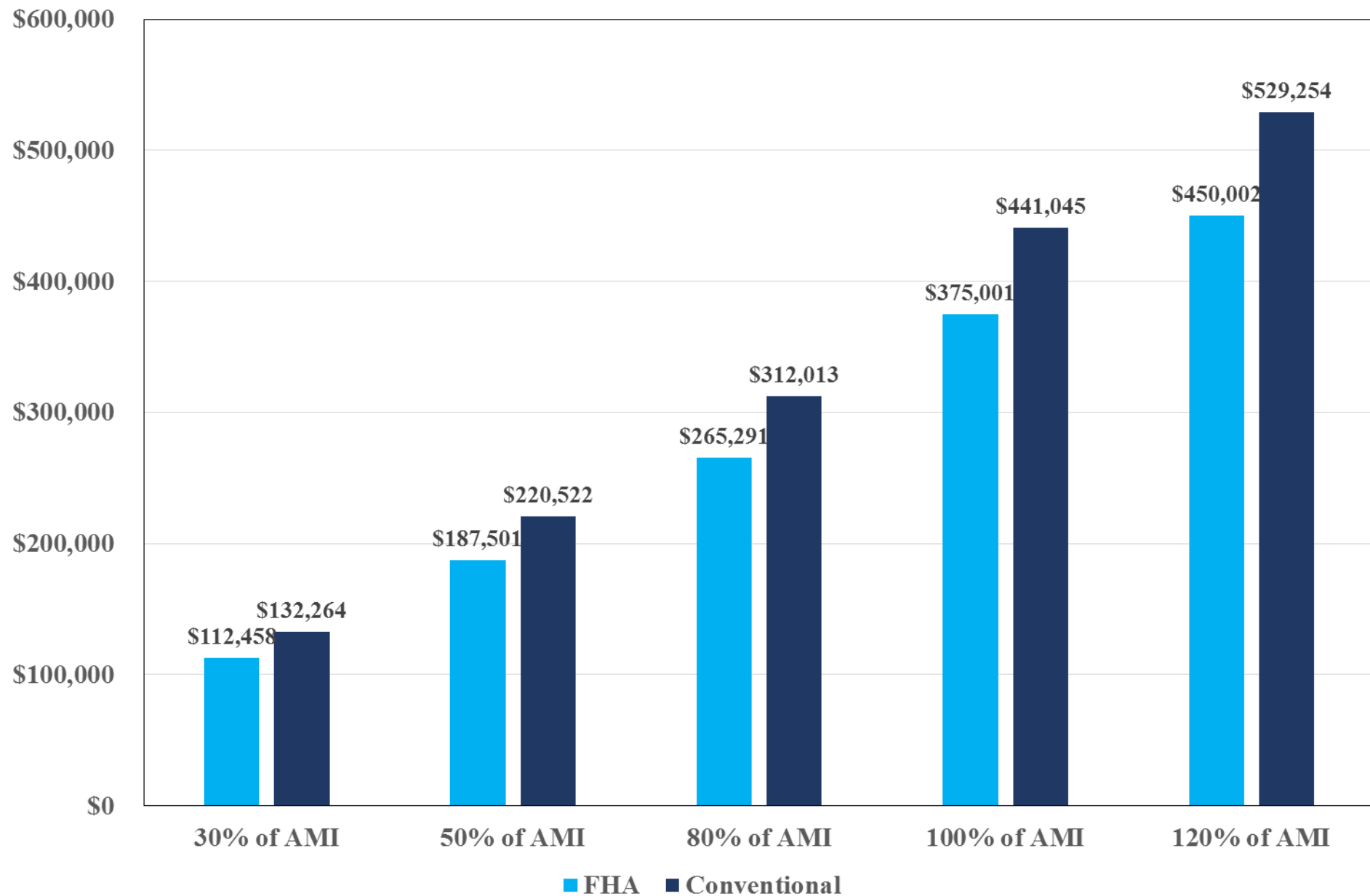
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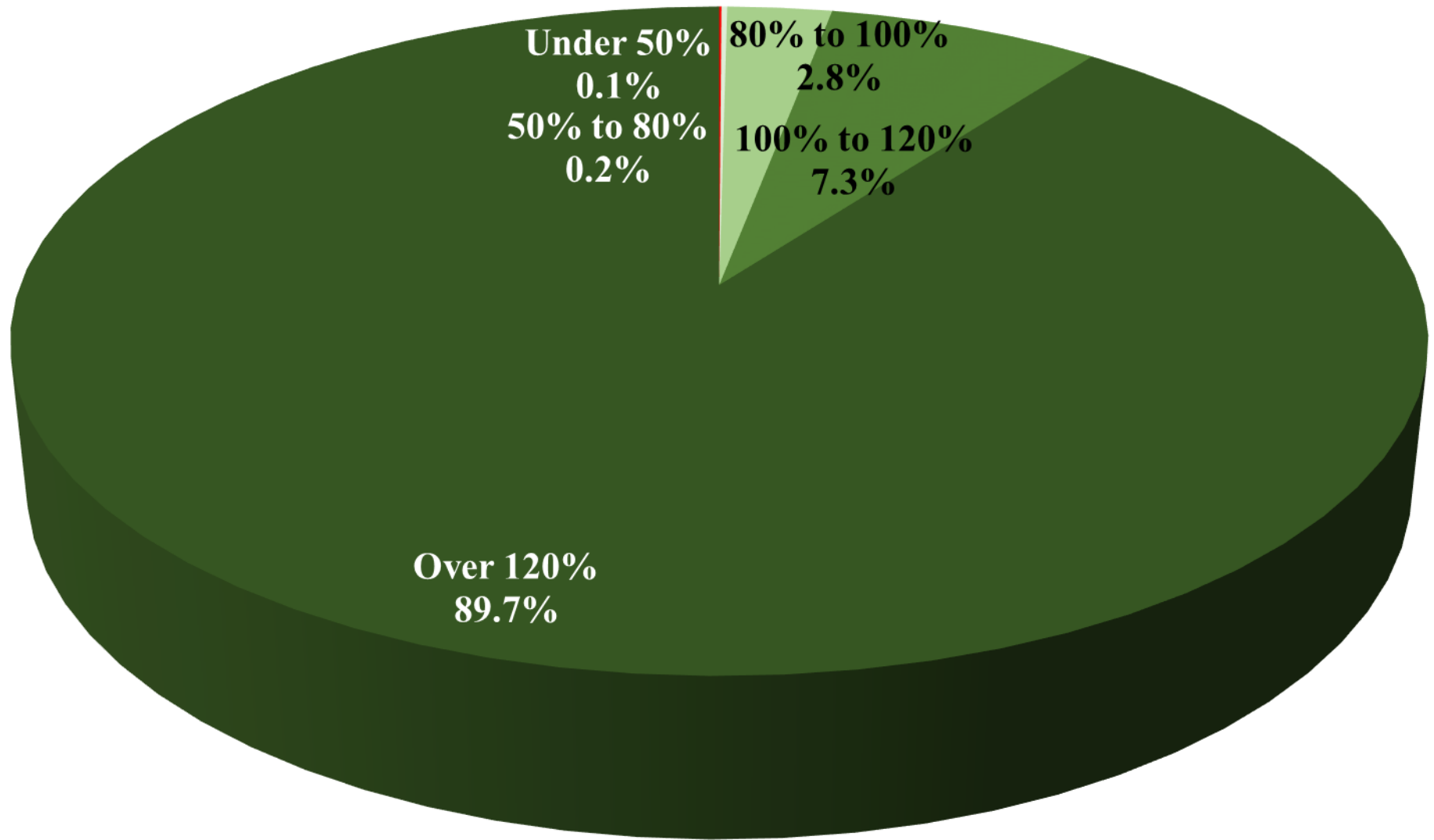
# FEE SIMPLE OWNERSHIP THRESHOLDS

## 2014 Boston HMFA



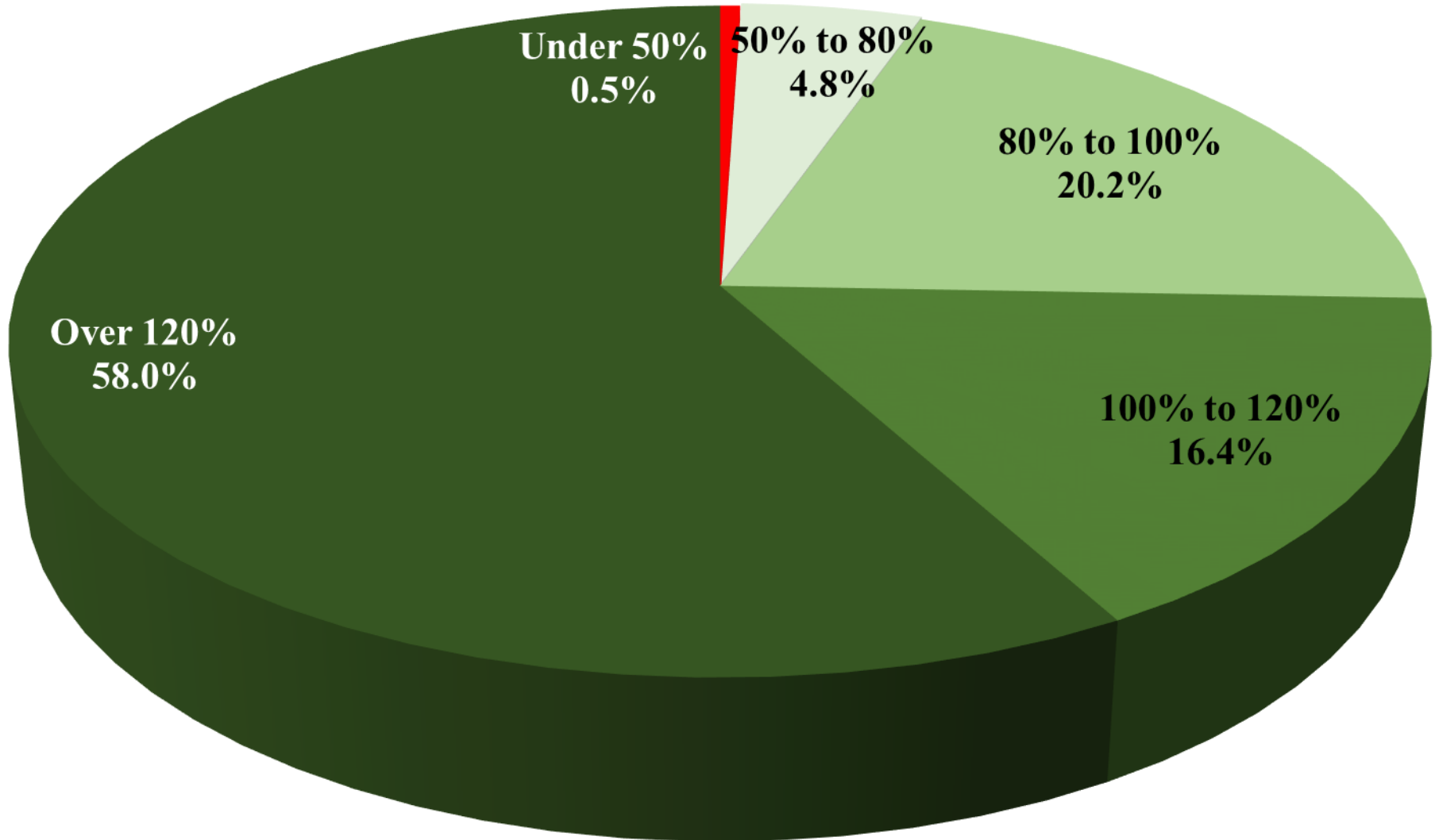
# **SINGLE FAMILY UNIT AFFORDABILITY**

## **FHA Financing Assumptions**



# CONDOMINIUM UNIT AFFORDABILITY

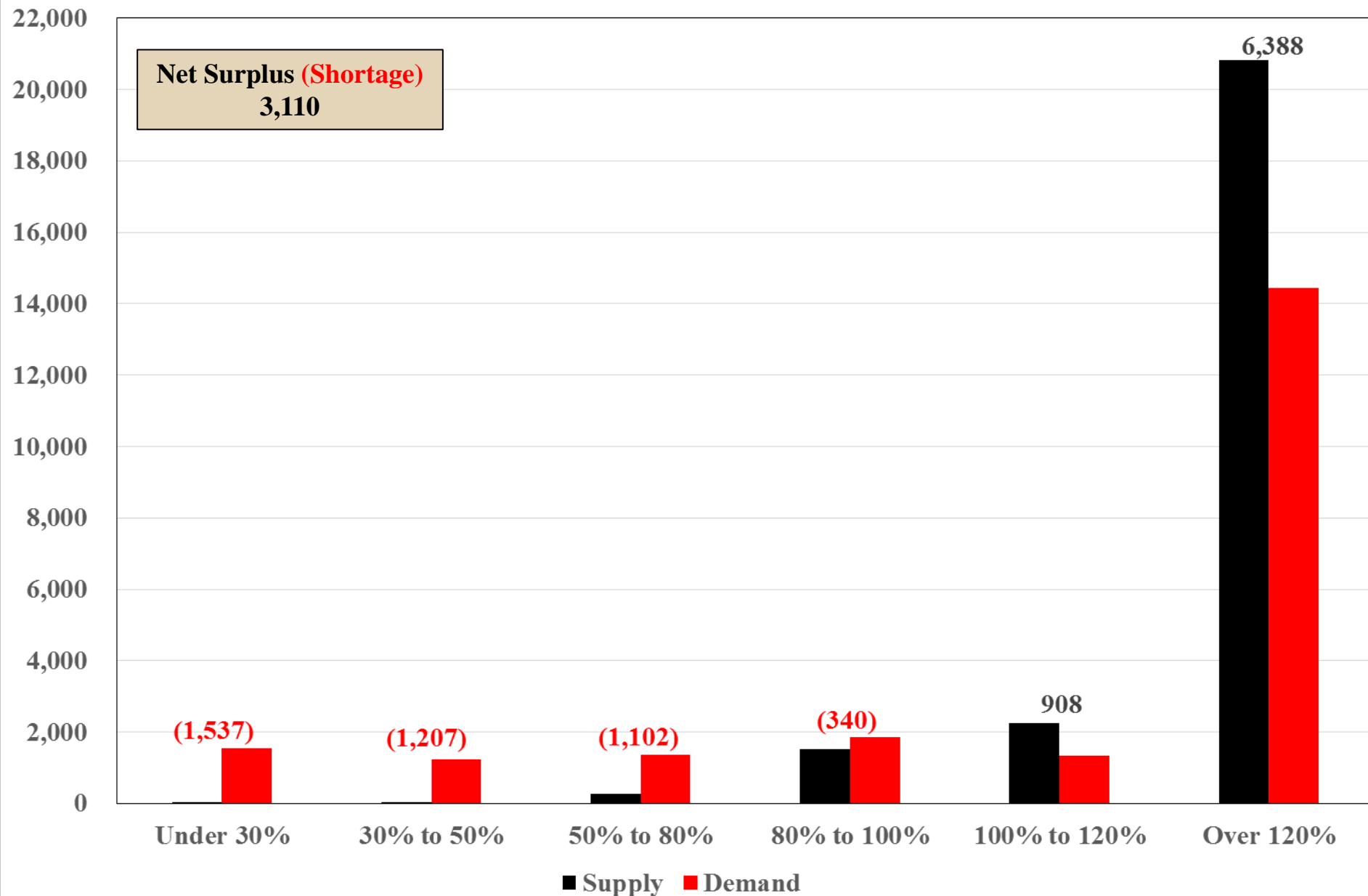
## FHA Financing Assumptions





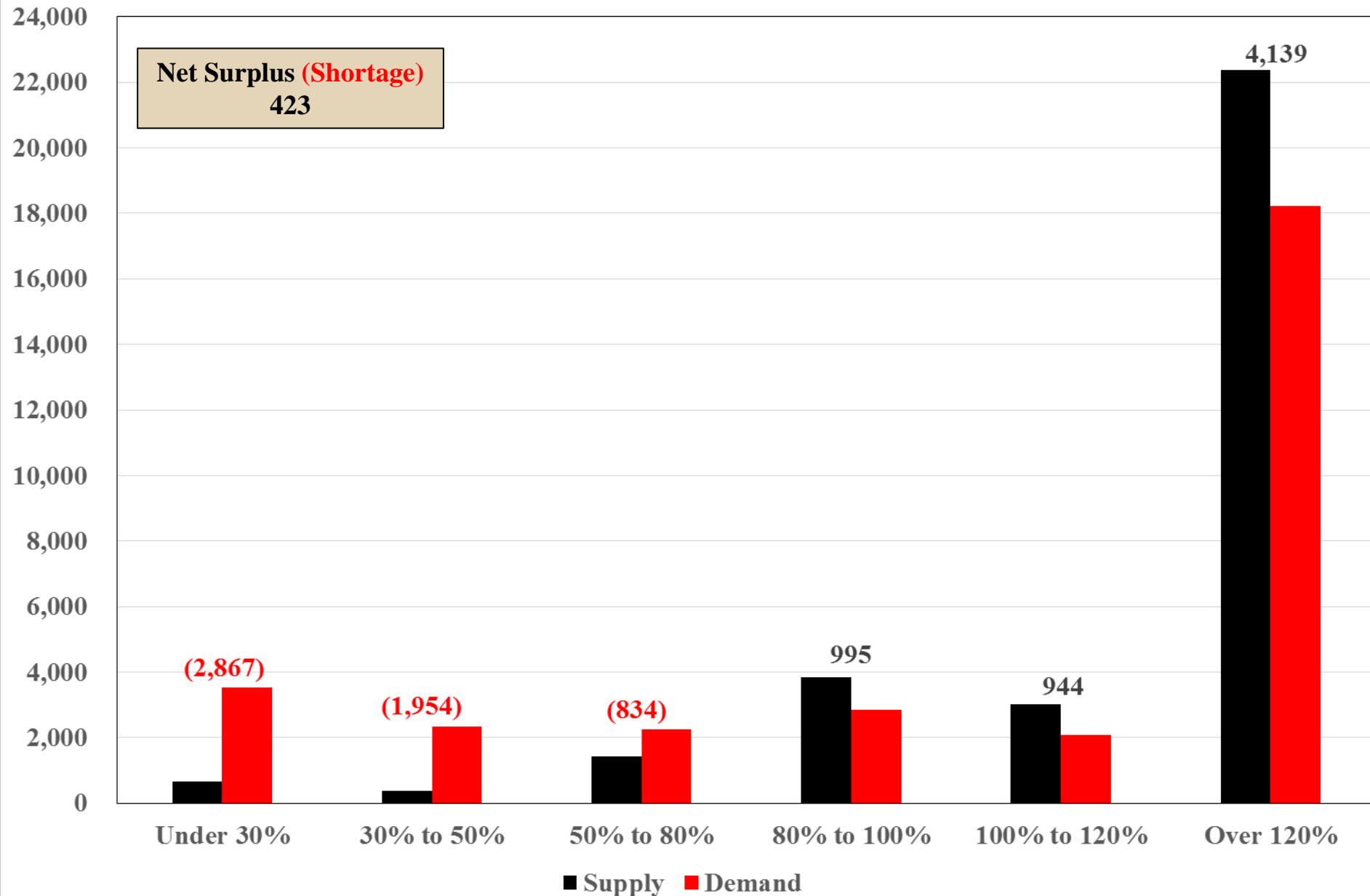
# OWNERSHIP SUPPLY/DEMAND BALANCE

## FHA Assumptions



# SUPPLY/DEMAND BALANCE

## City of Newton



# OWNERSHIP AFFORDABILITY

- **Citywide turnover approximately 5% to 6% annually**
  - Severely limits what is “on the market”
- **Much of the City’s residential acquisition is for tear down/rebuild**
  - Price based on potential lot yield, not house value
- **Many households do not maximize buying potential**
  - “Downward pressure” on market

# IMPLICATIONS

# IMPLICATIONS

- **Newton is a highly desirable place to live**
  - Reputation of schools
  - Location
  - Transportation
  - Community amenities
  - Quality of life
- **Local/regional supply and demand factors have made the City unaffordable to most people**
  - Regulatory climate
  - Physical constraints
  - Existing development patterns
  - Political will

# IMPLICATIONS

- **Market will continue to make Newton “unaffordable”**
  - Ability to pay stronger than development potential
  - Lack of developable land
  - Economic growth
  - Preferences
  - Regulations
  
- **The diversity of the community is threatened**
  - Exodus of aging in place seniors will continue
  - Young professionals/families priced out
  - Workforce households will compete for limited supply

# IMPLICATIONS

- **The economics of development have changed development patterns**
  - Cost of land/construction
  - Regulatory environment
  - Market need
  - Financial realities of new development/maintaining diversity
  - Development demand is more diverse
  
- **Balance of community priorities needs to be struck**
  - Maintain the character that makes Newton desirable
  - Maintain the diversity that makes Newton a great community
  - Is there a sustainable compromise?

# NEXT STEPS

- **The remainder of the analysis focuses on finding solutions**

- Financial feasibility
- Site analysis
- Regulatory assessment
- Implementation plan

- **Upcoming meetings**

- Site analysis workshop – November 22<sup>nd</sup>
- Regulatory review/open house debrief – Early December